

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON MAY 5 AND 6, 2008

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on May 5 and 6, 2008 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

John P. McCann, Chairman
Douglas R. Fahl, Vice Chairman
Jay Fisette
Charles McConnell
Edward L. McCoy
William C. Shelton
Gerald W. Hopkins
J. Braxton Powell
Jacqueline T. Black
Nancy K. O'Brien
Yvonne T. Allmond

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Barbara Blankenship, Managing Director of Human Resources
Janet W. Butler, Managing Director of Information Technology Services
Russ E. Wyatt, General Auditor
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Paul M. Brennan, Deputy General Counsel
Sharon Fairburn, Housing Choice Voucher Director
Robert Halloran, Marketing Director
Toni Ostrowski, Senior Community Housing Officer
Linda Evans, Budget and Risk Management Analyst
Richard Rupertus, Assistant Director of ITS Operations
Brenda Brophy, Development Officer Manager

Brad Beaman, Development Officer
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst
Llewellyn C. Anderson, Strategic Planner
Melody S. Barackman, Controller
Brian Matt, Public Relations Manager
Ronald A. Reger, Strategic Planner
Joseph K. Feaser, Business Performance Analyst
Scott Heiry, Business Intelligence Manager
J. D. Bondurant, Research Analyst
Scott Willis, JPMorgan Chase Bank, N.A.
Robert Lamm, JPMorgan Chase Bank, N.A.
Gene Devereaux, JPMorgan Chase Bank, N.A.
Morris Churchill, JPMorgan Chase Bank, N.A.

Chairman McCann called the meeting of the Committee of the Whole to order at 1:13 p.m. on May 5, 2008. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Fisette and Shelton who joined the meeting in progress as noted below and thereafter remained present during the meeting on May 5, 2008 and except Commissioners Powell and McCoy who were not present at the meeting on May 5, 2008.

Ms. Dewey, Mr. Bowen, Mr. Hill, Mr. Ritenour, Ms. Butler, Ms. Blankenship, Ms. Taylor, Ms. Barackman, and Mr. Dolce made presentations on the Authority's proposed annual budget for fiscal year 2009. During this report, Commissioners Fisette and Shelton joined the meeting. The Commissioners and the staff discussed the following matters during these presentations: (i) the housing and financial market climate, the impact on the Authority, and the Authority's budgetary responses; (ii) revenue and expense trends for fiscal years 2000 through 2009; (iii) net revenues, non-interest expenses and excess revenues in the proposed fiscal year 2009 budget in comparison with the adopted and projected fiscal year 2008 budget; (iv) market interest rate trends since 1999; (v) the Authority's net interest margins since 2000 and projected for fiscal year 2009; (vi) the Authority's loan production and mortgage loan asset balances since 2000 and projected for fiscal year 2009; (vii) the components of total revenues and expenses in the proposed fiscal year 2009 budget; (viii) expenditures in the proposed fiscal year 2009 budget for initiatives and operations, including expenditures for activities in support of the Foreclosure Prevention Task Force, outreach, marketing, improvements to the Authority's Southwest Virginia Housing Center and the Authority's Headquarters, technology, salaries and benefits, organizational development and learning, multi-family developments owned by the Authority, provision for loan losses, and general operations; (ix) projected funding and fees for the Authority's administration of the Housing Choice Voucher Program in fiscal year 2009; and (x) the projected impact of the proposed fiscal year 2009 excess revenues on REACH *Virginia* through fiscal year 2011. Upon the conclusion of these presentations, it was the consensus of the Commissioners that the Operations Committee review further the proposed expenditures in the fiscal year 2009

budget for technology and marketing at its meeting on May 6, 2008 and report its recommendations to the Commissioners.

Mr. Chandler reviewed the final rankings for reservations of the 2008 federal low-income housing tax credits and advised the Commissioners as to the additional applications that were being considered for selection in the At-Large Pools.

Mr. Merchant presented an overview of single family foreclosures in Virginia. Following this presentation, Ms. Dewey reported on the outreach and education activities of Work Group II of the Foreclosure Prevention Task Force; Mr. Halloran presented the website that had been created by the Authority for the Foreclosure Prevention Task Force; and Ms. Dewey advised the Commissioners as to the Regional Mortgage Clinics to be held by the Foreclosure Prevention Task Force on June 14 and 21, 2008.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:20 p.m. on May 5, 2008.

Chairman McCann called the regular meeting of the Board of Commissioners to order at approximately 11:38 a.m. on May 6, 2008. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

In the public comment period, Mr. Willis made a presentation on the single family lending activities and practices of JPMorgan Chase Bank, N.A. and requesting that JPMorgan Chase Bank, N.A. be re-approved as an originating agent in the Authority's single family program.

On motions duly made and seconded, the minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on February 5 and 6, 2008 and the minutes of the retreat meeting of the Commissioners held on March 30 through April 1, 2008 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of the Thirtieth Anniversary of RPJ Housing" dated May 6, 2008, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman McCann, on behalf of the Committee of the Whole, advised the Commissioners as to the staff reports that were received and discussed by the Committee on the following matters: the proposed fiscal year 2009 budget; the final rankings for reservations of the 2008 federal low-income housing tax credits; and an overview of single family foreclosures in Virginia and the activities of the Foreclosure Prevention Task Force.

Commissioner McConnell, on behalf of the Programs Committee, reported that the Committee had received and discussed staff reports on the following matters: the final rankings for reservations of the 2008 federal low-income housing tax credits; the REACH programs and allocations for fiscal year 2009; the single family allocations for SPARC-Round 7; the Authority's proposed financing of single family loans under the Chesapeake Redevelopment and Housing Authority's Workforce Housing Initiative; the status of homeownership and multi-family loan production; the status of homeownership and multi-family loan delinquencies; and an update on the Housing Choice Voucher Program. Commissioner McConnell reported that the Committee had considered, and recommended approval of, the transfer to Harrisonburg Redevelopment and Housing Authority of budget authority and 40 baseline units under the Authority's Annual Contributions Contract with the Harrisonburg-Rockingham Community Services Board. On motion duly made and seconded, the resolution entitled "Resolution Regarding Transfer of Budget Authority and Corresponding Baseline Units under Section 8 Annual Contributions Contract" dated May 6, 2008 in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell reported that the Committee had considered, and recommended approval of, the revised policy on the financing of leasehold estates. On motion duly made and seconded, the resolution entitled "Amended and Restated Resolution Adopting Policy on the Financing of Leasehold Estates" dated May 6, 2008 in the form attached hereto, as revised to refer to the Authority's outside counsel rather than McGuireWoods in paragraph 7 thereof, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell next reported that the Committee had received and discussed staff reports on the status of the Authority's emerging markets outreach efforts. Commissioner McConnell advised the Commissioners that the Committee had recommended that the staff be authorized to proceed with the reservation of low-income housing tax credits for the 31 developments having scores high enough to receive credits and for the Forrest Landing Apartments, the Westmoreland and Schoolfield Senior Apartments, and The Shelton. On motion duly made and seconded, this recommendation was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting, except Chairman McCann who abstained.

Commissioner Allmond, on behalf of the Audit Committee, reported that the Committee had received a presentation from KPMG on its plan for the 2008 audit of the Authority's financial statements. Commissioner Allmond summarized the report received by the Committee from Ms. Barackman on the Authority's monthly financials and budget comparisons for the period ended March 31, 2008 and, in this report, noted GASB 31 mark-to-market losses of \$12,762,283 resulting from two investments of the Authority. Commissioner Allmond reported that the Committee had received and discussed reports from Mr. Wyatt on the status of the internal audit schedule, the internal audit reports and recommendations, and the Authority's enterprise risk management activities.

Commissioner Allmond, on behalf of the Operations Committee, reported that the Committee had received and discussed the amounts for technology and marketing in the proposed budget for fiscal year 2009. Commissioner Allmond advised the Commissioners that the Committee recommended approval of the resolution adopting the

proposed fiscal year 2009 budget and further recommended that the staff present a report at the August Board meeting on the Authority's technology strategy and related expenditures and provide regular reports on the Authority's marketing expenditures and outcomes. Commissioner Allmond then moved that the resolution entitled "Resolution-Adoption of 2009 Fiscal Year Operating Budget and Repeal of Resolution on Employment of Consultants" dated May 6, 2008 be approved in the form attached hereto and that the staff present the report on the proposed technology expenditures and regular reports on the Authority's marketing expenditures and outcomes, as recommended by the Committee. This motion was seconded by Commissioner Hopkins and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Allmond next reported that the Committee had received and discussed reports on the salient features of the Authority's proposed Commonwealth Mortgage Bonds, Draw Down Bonds, Commonwealth Mortgage Bonds, Pass-Through Certificates, and Rental Housing Bonds, 2008 Series B-Taxable, C-AMT, and D.

Ms. Dewey's presented her report on operations in which she advised the Commissioners of the Board as to the following matters: receipt by the Authority of a 2008 American Inhouse Design Award for the VHDA Consumer Book; selection of Monique Johnson by Affordable Housing Magazine as one of 15 up and coming young housing leaders; the Board meetings on August 5-6 and September 30-October 1st; the NCSHA Annual Conference in Denver on October 25-28; the Governor's Housing Conference on November 12-14; the Board meeting on December 2-3; proposed Board meeting dates for 2009, including the retreat to be held in Arlington; participation by Authority staff on April 11-13 in the construction of the house in Danville sponsored by Habitat for Humanity; the Regional Mortgage Clinics to be held by the Foreclosure Prevention Task Force on June 14 and 21; and attendance by Ms. Dewey and Commissioner Shelton at the National Governors Association Center for Best Practices State Summit on Foreclosures and Housing Solutions to be held on May 28-29 and at the regional forums with local government officials to be held by the foreclosure Prevention Task Force during the first week of June. Following this report, Ms. Dewey presented a summary of pending federal foreclosure legislation.

There being no further business, the meeting was adjourned at approximately 12:40 p.m. on May 6, 2008.

John P. McCann, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE

HELD ON MAY 6, 2008

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on May 6, 2008 at the office of the Authority, 601 South Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Committee Chairman
William C. Shelton
Jacqueline T. Black
Gerald W. Hopkins
Douglas R. Fahl
Jay Fisette

OTHER COMMISSIONERS PRESENT:

John P. McCann
Yvonne T. Allmond
Nancy K. O'Brien

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Arthur N. Bowen, Managing Director of Finance and Administration
Thomas A. Dolce, Managing Director of Servicing and Compliance
J. Judson McKellar, Jr., General Counsel
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Barbara Blankenship, Managing Director of Human Resources
Michele G. Watson, Director of Homeownership Programs
John F. Hastings, Director of Multi-Family Development Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
J. Michael Hawkins, Director of Community Housing
Llewellyn C. Anderson, Strategic Business Planner
Ronald A. Reger, Strategic Business Planner
Paul M. Brennan, Deputy General Counsel
Melody S. Barackman, Controller
Russ Wyatt, General Auditor
Sharon Fairburn, Housing Choice Voucher Director
Toni Ostrowski, Community Housing Officer
Brenda Brophy, Development Officer Manager
Brad Beaman, Development Officer
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Jerry Fischer, City of Danville
Jerry Gwaltney, City of Danville

Walter Webdale, AHC Inc.
Joseph Weatherly, AHC Inc.
Tom McMullen, Blue Ridge Club, L.P.
Michael Busick, Williams Mullen
Linwood Davis, Landmark

The meeting of the Programs Committee was called to order by Committee Chairman McConnell at approximately 9:05 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Black who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on February 6, 2008 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Chairman McConnell opened the floor for public comments on the rankings of the developments for the 2008 federal low-income housing tax credits. Mr. Fisher spoke in support of Westmoreland and Schoolfield Senior Apartments in Danville stating that this development was critical to the revitalization of the community. Mr. Webdale spoke in support of The Shelton in Arlington and explained that the developer is being required to move utilities underground increasing the development cost by \$1.9 million. Mr. McMullen and Mr. Busick spoke in support of Blue Ridge Club Apartments in Roanoke and requested a reservation of tax credits equivalent to the 2005 tax credits that had been returned by the developer due to delays in construction. Following these presentations, Commissioner Black joined the meeting.

Mr. Ritenour and Mr. Chandler presented a report on the rankings of the applications received by the Authority for allocations of the 2008 federal low-income housing tax credits. In this report, Mr. Chandler noted that approximately 64 applications were received. Mr. Ritenour recommended that tax credits be allocated to the 31 developments having scores high enough to receive credits and also to three additional properties- Forest Landing Apartments, The Shelton, and Westmoreland and Schoolfield Senior Apartments. Commissioner Hopkins moved that the Committee recommend approval of reservations of federal low-income housing tax credits for the 31 developments having scores high enough to receive credits and for the Forrest Landing Apartments, the Westmoreland and Schoolfield Senior Apartments, and The Shelton. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Ritenour presented a report on REACH programs and allocations for fiscal year 2009. In his report, Mr. Ritenour indicated that there would be more than \$25 million in REACH subsidy available which includes a carry forward of unused REACH subsidy from fiscal year 2007. Mr. Ritenour also reported that the fiscal year 2009 REACH subsidy will be supporting three new homeownership programs. Upon the conclusion of this report, Commissioners McCann, Allmond and O'Brien left the meeting.

Mr. Ritenour and Mr. Hawkins presented a report on the applications for Single Family SPARC- Round 7. Mr. Hawkins commented that 72 applications were received requesting a total of \$313,647,280 in funding. He noted that 66 applications would be funded in an estimated amount of \$200 million.

Mr. Ritenour and Mr. Hawkins next presented a report on the Authority's proposed financing of single family mortgage loans under the Chesapeake Redevelopment and Housing Authority's Workforce Housing Initiative. Mr. Hawkins explained that VHDA is providing single family SPARC funds to finance homes which are being built on two parcels of land that will be leased to the homebuyers. Mr. Hawkins also commented that the homes will be intended for purchase by employees of the City of Chesapeake and that the leasehold financing is expected to maintain the affordability on the homes. Mr. McKellar noted that the Chesapeake Redevelopment and Housing Authority had indicated that it will agree to purchase any Authority mortgage loans that are to be sold by foreclosure. Commissioners Fisette and Hopkins requested that the staff evaluate this program to determine if the program can be replicated in other localities in Virginia.

Mr. Ritenour and Ms. Watson next presented a report on homeownership loan production as of the third quarter of fiscal year 2008. Ms. Watson commented that average loan amounts have decreased by an estimated \$20,000. Ms. Watson also commented that VHDA is on track to achieve fiscal year 2008 homeownership production goals.

Mr. Ritenour and Mr. Hastings reviewed the multi-family bi-monthly loan production report for the months of February and March. Mr. Hastings noted that 24 developments consisting of 927 units had been committed using \$29.5 million in funds. Mr. Hastings also noted that 87% of the developments were financed using REACH subsidy.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multi-family loan servicing portfolios. Mr. Dolce noted that, as of March 2008, the overall delinquency rate for homeownership loans had decreased to 5.43% and the multi-family loan delinquency rate had increased to 1.09%. Mr. Dolce also presented an update on the Housing Choice Voucher Program in which he stated that current leasing remained at 98% as of April 2008. Mr. Dolce next presented a resolution for approval of the transfer to Harrisonburg Redevelopment and Housing Authority of budget authority and 40 baseline units under the Authority's Annual Contributions Contract with the Harrisonburg-Rockingham Community Services Board. Commissioner Fisette moved that the Committee recommend approval of the resolution entitled "Resolution Regarding Transfer of Budget Authority and Corresponding Baseline Units under Section 8 Annual Contributions Contract" dated May 6, 2008. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. McKellar presented a resolution to revise the current policy on the financing of leasehold estates. Commissioner Hopkins noted that the resolution should refer to the Authority's outside counsel rather than McGuireWoods in paragraph 7 thereof. Commissioner Fahl moved that the Committee recommend approval of the resolution

entitled “Amended and Restated Resolution Adopting Policy on the Financing of Leasehold Estates” dated May 6, 2008, as revised to refer to the Authority’s outside counsel rather than McGuireWoods in paragraph 7 thereof. This motion was seconded by Commissioner Hopkins and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Hawkins presented reports on the Authority’s outreach efforts to the Hispanic and African American markets.

There being no further business, the meeting was adjourned at 11:10 a.m.

Minutes of the Meeting of the Audit Committee Held on May 6, 2008

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 6, 2008 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond, Chair
John P. McCann
Edward McCoy
Nancy O'Brien
Braxton Powell

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Melody Barackman, Controller
Michelle S. Edmonds, Sr. Executive Assistant
Donna Craver, KPMG
Rob Churchman, KPMG
Mike Jaeger, KPMG

Meeting Called to Order The meeting was called to order at 10:05 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting with the exception of Commissioner Edward McCoy who joined the meeting in progress at 10:35 a.m.

Approval of the Minutes On motion duly made by Commissioner O'Brien and seconded by Commissioner Powell, the minutes of the Audit Committee meeting of February 6, 2008 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

KPMG Entrance Presentation in Preparation for FY '08 Audit Donna Craver, Rob Churchman and Mike Jaeger of KPMG discussed their plan and methodology for the 2008 audit. Processes to be reviewed in the current year include: lending, bond management, treasury management, OREO management, investment management and financial reporting (includes investments). Preliminary fieldwork will be performed from June 9 to June 22, 2008. Year-end fieldwork from mid August 2008 until mid September 2008. KPMG will issue audited financial statements, which are due to the Governor's Office within 90 days of fiscal year end (anticipated release date September 19, 2008). The management letter and single audit reports will be issued prior to December 31, 2008. KPMG will update the Board on the status of its findings prior to issuance of the final report. Melody Barackman will schedule an interim meeting of the Committee prior to the August meeting.

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Audit Committee Minutes
May 6, 2008

KPMG
Entrance
Presentation in
Preparation for
FY '08 Audit
(cont'd)

The following critical audit areas have been identified for the June 2008 audit:

- Valuation of allowance for loan losses; and
 - Valuation of hard to value investments and derivatives, if any.
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Report on
Monthly
Financials and
Budget
Comparisons

Melody Barackman reviewed VHDA's completed financial statements dated March 2008 and provided the Committee with a comparison of revenues and expenses to budget. Ms. Barackman explained that Cash flow from operations is in line with the budget for March at \$10.9 million and remains \$250,000 ahead of budget after nine months at \$113.5 million YTD.

As a follow-up to the review of loan loss reserves at the Board retreat, \$6.6 million was charged as additional provision for loan losses for the third quarter. This charge takes into account slightly higher incidence of delinquencies and foreclosures seen. It also takes into consideration market value declines in collateral and general deterioration from previous economic conditions. Reserves at this time total \$62 million or 1.2% of the uninsured single-family and multi-family portfolio.

Excess revenue after GASB 31 adjustments are negative \$2.1 million for the month and \$79.5 million YTD as compared to \$111.2 million budgeted. The current month mark-to-market adjustment includes \$5 million representing the devaluation of a Goldman Sachs ABS security, that was previously booked against investment income but has been moved back to GASB 31, since the disposition of the security and expected loss will not occur until next fiscal year. March adjustment also includes \$5 million unrealized loss on a Suntrust ABS that was devalued by 30% due to a rating drop by the rating agencies. In this instance, losses on the security are insured and pay downs on the bond are occurring regularly. At this time, this security is not expected to result in any true loss for VHDA.

Total assets have grown to \$9.27 billion with net assets of \$2.05 billion or 22% of total assets. Debt ratio remains solid at 1.28.

Internal Audit
Report

The General Auditor reported on the status of the audit schedule indicating that the SF Direct Loan Servicing audit had been completed since the last Committee meeting and a clean report was issued. The General Auditor also reported that there were no adverse reports issued since the last meeting. The General Auditor indicated that the following audits are in progress: (1) Human Resources, (2) the HR

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Audit Committee Minutes
May 6, 2008

Internal Audit Report *(cont'd)*

Application Systems that support the HR Division; (3) Business Systems, (4) Windows Operating Systems; (5) Year-end Confirmations; (6) Procurement; and (7) SF Homeownership Department. The General Auditor further reported that the Audit schedule is on track to be completed as planned and, to ensure we are moving forward with the most appropriate audits for the next year, a risk assessment will be developed and discussed at the next Audit Committee meeting. The General Auditor indicated that the schedule may need to be modified as a result of the outcome of the risk assessment.

The General Auditor further noted that there are no control concerns that were previously reported that have not been addressed by management.

The General Auditor then gave a status update of the Enterprise Risk Management project indicating that ERM is progressing on three fronts: 1) risk identification and analysis; 2) tone at top assessment; and 3) automation. The General Auditor reported that ERM concepts were added to the SWOT analysis performed in December of 2007, which resulted in a much more effective analysis; questions relating to the ethical tone displayed by top management were added to the recent authority wide survey and for the most part responses were very positive; and development of an automated tool to assist management in performing risk and control self-assessments has begun and will be rolled out management once complete. With regard to the “tone-at-the-top” questions added to the Authority wide survey, the General Auditor expressed some concern about the number of “neutral” responses received. The General Auditor indicated that these responses may indicate that the tone we want projected may not be getting to everyone and that he will address this issue with management. Commissioner Powell stated that there may need to be some discussion around the term “neutral” as it could be confused with “unsure”. Commissioner Powell also indicated that it might be appropriate to limit the survey to associates with more than six month tenure as new associates may have a legitimate reason for being unsure of the answers to these ethics questions.

Adjournment

There being no further business, Commissioner Allmond moved for adjournment of the meeting at 10:55 a.m.

Russ E. Wyatt
General Auditor

Yvonne Allmond
Chairman

Minutes of the Meeting of the Operations Committee Held on May 6, 2008

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 6, 2008 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond, Chair
John P. McCann
Edward McCoy
Braxton Powell
Nancy O'Brien

Others Present Susan Dewey, Executive Director
Arthur N. Bowen, III, Managing Director of Finance & Administration
Barbara Blankenship, Managing Director of Human Resources
Melody Barackman, Controller
Russ Wyatt, General Auditor
Janet Butler, Managing Director of Information Technology Services
Judson McKellar, General Counsel
Tammy N. Taylor, Chief Learning Officer, OD&L
Linda K. Evans, Budget & Risk Management Analyst
Rick Rupertus, Asst. Director of Technology Management
Michelle S. Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 10:55 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes Commissioner O'Brien moved approval of the minutes of the meeting of the Operations Committee dated February 6, 2008. Commissioner Powell seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

FY '09 Budget The committee received an update on the budget presentation made to the Committee of the Whole on Monday, May 5. Janet Butler provided additional information as to the increase in the ITS budget for FY '09. Due to a rise in ongoing project technology expenses, there is a 9% increase for the FY '09 budget. The increase is due largely to hardware and software maintenance costs. Application Service Provider (ASP) fees have also increased. These fees go up each year and are also based largely on the number of loans that are serviced through Fidelity.

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Operations Committee Minutes
May 6, 2008

FY '09 Budget
(cont'd)

Commissioner O'Brien suggested that it may be worthwhile for the Committee of the Whole to receive an overview of the entire ITS program (ITS systems, where we are, what we've done, where we need to focus attention over the next three years, anticipated technology expenditures and outcomes). This will aid the Board in understanding how dollars are spent in relation to ITS expenditures and budget. Staff will make this presentation at the August meeting. It was stated that the Board does not have an issue with dollars, the issue is mainly on understanding the technology needed. The Committee also discussed the need for regular outcome-based reports on the Authority's marketing program. Following these discussions, a motion was made to recommend to the Board that the FY '09 budget be approved and that the staff present a report at the August meeting on the Authority's technology strategy and provide regular reports to the Board on the Authority's marketing expenditures and outcomes. Commissioner O'Brien seconded this motion. The motion was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Susan Dewey discussed an issue around the consultant line item in the budgeting process. VHDA is operating under a 2002 resolution that required Board approval on all consulting contracts over \$50,000. She stated that VHDA has a strict procurement process and routine budget reporting, so this resolution is no longer needed and asked that the resolution be repealed. It was agreed that this will be recommended to the Board for approval as part of the resolution approving the FY '09 budget.

Commissioner McCann reminded the Committee of the need to look at the setaside for retiree benefits. Staff will brief the Committee at the August meeting. Commissioner McCann also stated that the Executive Committee discussed the need to establish the bonus pool amount and this will need to be brought before the Committee at the August meeting. Staff will provide trends and comparison data in advance of the meeting.

**Salient
Features**

Art Bowen reviewed three Salient Features memos to provide information on planned financings for the next several months.

The first memo described the continuation of the tax-exempt draw-down bond program for single family, whereby VHDA issues short-term bonds at various points in time, then remarkets them into long-term, fixed rate financings. The initial program period was one year and will be ending soon, and staff plans to continue the program for up to another three years in an amount up to \$2.5 billion.

The second memo describes the continuation of VHDA's recent approach to taxable single family financings whereby the taxable bonds are marketed on a private placement basis. Underwriting firms will be selected based on their performance placing taxable VHDA paper. VHDA may complete up to 4 such transactions totaling up to \$600 million before the end of CY 2008.

The final memo is more routine in nature, dealing with \$60 million in taxable multifamily bonds to be sold by competitive bid in May or June.

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Operations Committee Minutes
May 6, 2008

Adjournment There being no further business, Commissioner Allmond adjourned the meeting at 11:29 a.m.

Arthur N. Bowen, III
Managing Director of Finance &
Administration

Yvonne Allmond
Chairman

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON MAY 5, 2008

Pursuant to the call of the Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on May 5, 2008 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

John P. McCann, Chairman
Charles McConnell
Yvonne T. Allmond
Douglas R. Fahl

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Barbara Blankenship, Managing Director of Human Resources

Chairman McCann called the meeting of the Committee to order at approximately 6:40 p.m. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Blankenship reviewed the process for reviewing Ms. Dewey's performance and approving her compensation. It was the consensus of the Committee to follow the same process. Ms. Blankenship also discussed with the members of the Committee what additional data that they would need for the August Committee meeting regarding senior management compensation and organizational bonuses.

There being no further business, the meeting was adjourned at approximately 7:15 p.m.